

**GOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU**

NEPR

Received:

Apr 23, 2024

8:10 PM

IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

**MOTION TO SUBMIT THE FEBRUARY 2024 BUDGET TO ACTUAL REPORTS AS ORDERED
IN THE JUNE 25 ORDER**

COMES NOW the Puerto Rico Electric Power Authority ("PREPA"), through its counsel of record, and respectfully submits and requests as follows:

1. On May 16, 2023, LUMA¹ filed a document titled *Submission of Consolidated Annual Budgets for Fiscal Year 2024 and Proposed Annual T&D Projections Through Fiscal Year 2026* ("May 16 Motion") for the Energy Bureau of the Puerto Rico Public Service Regulatory Board's ("Energy Bureau") review and approval. The May 16 Motion included the following budget components: (i) the proposed T&D budget developed by LUMA, (ii) the proposed generation budget developed by Genera PR, LLC ("Genera") on behalf of the PREPA, for the PREPA subsidiary GENCO LLC ("GenCo"), and (iii) the proposed Budget developed by PREPA for its holding company, HoldCo, and its subsidiaries PREPA HydroCo LLC ("HydroCo") and PREPA PropertyCo, LLC ("PropertyCo").
2. On June 25, 2023, the Energy Bureau issued a *Resolution and Order* ("June 25 Order") that modified the Proposed Consolidated Fiscal Year 2024 submitted

¹ LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred to as, "LUMA").

by LUMA and approved the modified budgets subject to compliance with various orders ("FY24" Approved Budget").

3. The June 25 Order included a series of orders to PREPA. As part of the financial reporting requirements, the Energy Bureau ordered PREPA to submit on a monthly basis the following:

a. The tracking of certified Budget to Actual ("B2A Report") for HydroCo and HoldCo based on a template to be provided by the Oversight Board, which must include the following:

- Explanation for material variances (greater than 10% and \$30 million)
- Income statement in the reporting package
- Monthly budget reporting

4. On April 15th, 2024, PREPA requested an extension until April 22nd, 2024, to file the B2A report for February 2024. The PREB granted the extension on April 18th, 2024. The report was ready to be filed before the Energy Bureau yesterday, but it required sign-off from PREPA's Chief Financial Officer (CFO). Unfortunately, the CFO had a family emergency and could not approve the report until today. Therefore, PREPA would like to apologize to the Energy Bureau for the delay and any inconvenience caused.

5. In compliance with the June 25 Order, PREPA herein submits the February 2024 B2A.

WHEREFORE, PREPA respectfully requests the Energy Bureau to take **NOTICE**

of the information provided for February 2024 and find PREPA in compliance with the reporting requirements of the June 25 Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 23rd day of April 2024.

CERTIFICATE OF SERVICE: We hereby certify that this document was filed with the Office of the Clerk of the Energy Bureau using its Electronic Filing System at <https://radicacion.energia.pr.gov/login>, and courtesy copies were sent via e-mail to LUMA Energy, LLC through its counsels of record at margarita.mercado@us.dlapiper.com, laura.rozas@us.dlapiper.com; Yahaira.delarosa@us.dlapiper.com; julian.angladapagan@us.dlapiper.com and to Genera-PR, LLC through its counsels of record at jfr@sbgblaw.com, alopez@sbgblaw.com.

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Financial Oversight & Management Board for Puerto Rico

Puerto Rico Electric Power Authority

Report Date 4/15/24



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Puerto Rico Electric Power Authority
B2A Summary
FISCAL YEAR 2024
As 4/15/24

FY24 Monthly B2A Summary

(\$ millions)

Summary

February-24			
Feb-24 Budget	Feb-24 Actual	Feb-24 Variance (\$)	Feb-24 Variance (%)

YTD			
YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)

A. Expenses

HoldCo:

HoldCo Labor Operating Expenses	\$ 0.800	\$ 0.557	\$ 0.243	30.4%	\$ 6.399	\$ 5.679	\$ 0.720	11.3%
HoldCo Non-Labor / Other Operating Expenses	6.788	7.003	(0.215)	(3.2%)	54.525	52.084	2.441	4.5%
Shared Services Agreement	0.166	0.556	(0.390)	(234.6%)	1.329	1.800	(0.472)	(35.5%)
Temporary PREPA ERS Contribution	20.162	20.162	-	0.0%	47.836	47.836	-	0.0%
Maintenance Projects Expenses	0.054	-	0.054	100.0%	0.430	-	0.430	100.0%
Total HoldCo Operating Expenses	\$ 27.970	\$ 28.278	\$ (0.308)	(1.1%)	\$ 110.518	\$ 107.398	\$ 3.120	2.8%

HydroCo:

HydroCo Labor Operating Expenses	\$ 0.367	\$ 0.262	\$ 0.105	28.6%	\$ 2.932	\$ 2.726	\$ 0.206	7.0%
HydroCo Non-Labor / Other Operating Expenses	0.466	0.337	0.129	27.8%	3.730	5.530	(1.800)	(48.3%)
Shared Services Agreement	0.098	0.370	(0.272)	(276.4%)	0.787	1.133	(0.346)	(43.9%)
Maintenance Projects Expenses	0.206	-	0.206	100.0%	1.647	0.000	1.647	100.0%
Total HydroCo Operating Expenses	\$ 1.137	\$ 0.969	\$ 0.168	14.8%	\$ 9.097	\$ 9.389	\$ (0.293)	(3.2%)
Total HoldCo & HydroCo Expenses	\$ 29.107	\$ 29.247	\$ (0.140)	(0.5%)	\$ 119.615	\$ 116.788	\$ 2.827	2.4%

Other Expenses:

PREPA Voluntary Transition Program	\$ -	\$ -	\$ -	-	\$ 14.774	\$ 14.774	\$ 0.000	0.0%
Emergency PREPA Employee Retirement System Contribution	-	-	-	-	142.713	142.713	-	0.0%
Total Other Expenses	\$ -	\$ -	\$ -	-	\$ 157.487	\$ 157.487	\$ 0.000	0.0%

Note 1: Preliminary / unaudited financial information - subject to material change.

Note 2: Pursuant to the 2023 Certified Fiscal Plan and PREB Resolution & Order dated June 25, 2023, PREPA is reporting HoldCo and HydroCo expenses for YTD FY2024.

Note 3: PREPA is reporting YTD FY2024 amounts based on the Revised FOMB Certified Budget dated March 15, 2024.

Note 4: Pensions & Benefits amounts are equal to 25% of Salaries and Wages for YTD FY2024.

Note 5: Due to the Genera transaction, many of the line items in PREPA's YTD B2A include Genera expenses as Genera has been entering these expenses into PREPA's legacy cost centers. These are reflected in the HydroCo line items. Although PREPA discontinued the use of its legacy cost centers as of November 1, 2023, Genera expenses continue to affect legacy cost centers. PREPA expects that this issue will continue in the upcoming B2A reports and will continue to monitor accounts closely to resolve any issues.

Puerto Rico Electric Power Authority
Monthly Expenses
FISCAL YEAR 2024
As Of: 4/15/24

FY24 Monthly Expenses

(\$ millions)

Expenses

A. HoldCo - Operations Expenses

Labor

	Feb-24 Budget	Feb-24 Actual	Feb-24 Variance (\$)	Feb-24 Variance (%)
1 Salaries & Wages	0.542	0.456	0.085	15.8%
2 Pension & Benefits	0.224	0.094	0.130	58.0%
3 Overtime Pay	0.030	0.006	0.024	78.8%
4 Overtime Benefits	0.004	0.000	0.004	99.7%
Total HoldCo Labor Operating Expenses	\$ 0.800	\$ 0.557	\$ 0.243	30.4%

Non-Labor / Other Operating Expenses

5 Materials & Supplies	0.002	0.009	(0.006)	(268.6%)
6 Transportation, Per Diem, and Mileage	0.002	0.004	(0.002)	(90.4%)
7 Retiree Medical Benefits	0.663	1.102	(0.439)	(66.3%)
8 Security	0.066	0.080	(0.013)	(20.0%)
9 Utilities & Rents	0.006	0.051	(0.046)	(831.8%)
10 Legal Services	0.307	0.307	-	0.0%
11 Litigation Claims Settlement	0.127	-	0.127	100.0%
12 Communications Expenses	0.001	-	0.001	100.0%
13 Professional & Technical Outsourced Services	0.179	0.155	0.024	13.4%
14 Regulation and Environmental Inspection	0.133	0.004	0.129	97.1%
15 External Audit Services	-	-	-	n.a.
16 Equipment, Inspections, Repairs and Others	0.056	0.044	0.011	20.4%
17 Temporary Generation Acquisition Cost-Share	-	-	-	n.a.
18 PREPA Restructuring & Title III	2.513	2.513	-	0.0%
19 FOMB Advisor Costs allocated to PREPA	2.735	2.735	-	0.0%
Total HoldCo Non-Labor / Other Operating Expenses	\$ 6.788	\$ 7.003	\$ (0.215)	(3.2%)

Shared Services Agreement HoldCo

20 Temporary PREPA ERS Contribution	0.166	0.556	(0.390)	(234.6%)
21 Maintenance Projects Expenses HoldCo	20.162	20.162	0.000	0.0%
Total HoldCo Operating Expenses	\$ 27.970	\$ 28.278	\$ (0.308)	(1.1%)

B. HydroCo - Operations & Maintenance Expenses

Labor

23 Salaries & Wages	0.212	0.187	0.025	11.6%
24 Pension & Benefits	0.128	0.041	0.087	67.8%
25 Overtime Pay	0.024	0.033	(0.009)	(37.7%)
26 Overtime Benefits	0.003	-	0.003	100.0%
Total HydroCo Labor Operating Expenses	\$ 0.367	\$ 0.262	\$ 0.105	28.6%

Non-Labor / Other Operating Expenses

27 Materials & Supplies	0.060	0.031	0.030	49.3%
28 Transportation, Per Diem, and Mileage	0.022	0.012	0.010	45.3%
29 Security	0.143	0.176	(0.033)	(23.2%)
30 Utilities & Rents	0.007	-	0.007	100.0%
31 Professional & Technical Outsourced Services	0.016	-	0.016	100.0%
32 Regulation and Environmental Inspection	0.061	0.004	0.057	93.7%
33 Equipment, Inspections, Repairs and Others	0.158	0.114	0.043	27.4%
Total HoldCo Non-Labor / Other Operating Expenses	\$ 0.466	\$ 0.337	\$ 0.129	27.8%

Shared Services Agreement HydroCo

34 Maintenance Projects Expenses HydroCo	0.098	0.370	(0.272)	(276.4%)
Total HydroCo Operating & Maintenance Expenses	\$ 1.137	\$ 0.969	\$ 0.168	14.8%

Total HoldCo & HydroCo Operating & Maintenance Expenses

\$ 29.107	\$ 29.247	\$ (0.140)	-0.5%
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YTD			
YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)

4.335	4.224	0.111	2.6%
1.795	0.990	0.805	44.8%
0.241	0.417	(0.177)	(73.4%)
0.029	0.048	(0.019)	(66.8%)
\$ 6.399	\$ 5.679	\$ 0.720	11.3%

0.019	0.046	(0.027)	(138.7%)
0.017	0.186	(0.169)	(972.5%)
5.300	5.182	0.118	2.2%
0.531	0.639	(0.108)	(20.3%)
0.044	0.150	(0.106)	(241.3%)
2.459	1.581	0.878	35.7%
0.127	-	0.127	100.0%
0.004	-	0.004	100.0%
1.430	0.520	0.910	63.6%
1.061	0.289	0.771	72.7%
1.108	0.454	0.654	59.0%
0.444	1.056	(0.612)	(137.9%)
-	-	-	n.a.
20.100	20.100	-	0.0%
21.881	21.881	-	0.0%
\$ 54.525	\$ 52.084	\$ 2.441	4.5%

1.329	1.800	(0.472)	(35.5%)
47.836	47.836	-	0.0%
0.430	-	0.430	100.0%
\$ 110.518	\$ 107.398	\$ 3.120	2.8%

1.695	1.854	(0.158)	(9.3%)
1.021	0.452	0.570	55.8%
0.192	0.395	(0.203)	(105.7%)
0.023	0.026	(0.003)	(11.1%)
\$ 2.932	\$ 2.726	\$ 0.206	7.0%

0.483	1.989	(1.507)	(312.2%)
0.179	0.237	(0.058)	(32.4%)
1.141	1.431	(0.290)	(25.4%)
0.053	0.001	0.052	97.8%
0.125	0.236	(0.112)	(89.6%)
0.487	0.285	0.203	41.6%
1.261	1.350	(0.089)	(7.0%)
\$ 3.730	\$ 5.530	\$ (1.800)	(48.3%)

Shared Services Agreement HydroCo

0.787	1.133	(0.346)	(43.9%)
\$ 1.647	\$ 0.000	\$ 1.647	100.0%
\$ 9.097	\$ 9.389	\$ (0.293)	(3.2%)

\$ 119.615	\$ 116.788	\$ 2.827	2.4%
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Note 1: Preliminary / unaudited financial information - subject to material change.

Note 2: Pensions & Benefits amounts are equal to 25% of Salaries and Wages for YTD FY2024.

Note 3: Actual expense amounts for HoldCo Legal Services are equal to budget for January as PREPA is currently reconciling February invoices and amounts to accrue for actual monthly expenses.

Note 4: Due to the Genera transaction, many of the line items in PREPA's YTD B2A include Genera expenses as Genera has been entering these expenses into PREPA's legacy cost centers. These are mainly reflected in the HydroCo line items. Although PREPA discontinued the use of its legacy cost centers as of November 1, 2023, Genera expenses continue to affect legacy cost centers. PREPA expects that this issue will continue in the upcoming B2A reports and will continue to monitor accounts closely to resolve any issues.

Note 5: HoldCo Restructuring & Title III and FOMB Advisors Cost are equal to budget for February to accrue for monthly expenses. PREPA is currently reconciling invoices related to Title III costs. PREPA is discussing FOMB Advisors Costs with the Oversight Board.

Puerto Rico Electric Power Authority
Monthly VTP & ERS Expenses
FISCAL YEAR 2024
As Of: 4/15/24

FY24 VTP & ERS Expenses

(\$ millions)

Expenses

- 40 Voluntary Transition Program (VTP)
- 41 Employee Retirement System Contribution (ERS)
- Total VTP & ERS Expenses

February-24			
Feb-24 Budget	Feb-24 Actual	Feb-24 Variance (\$)	Feb-24 Variance (%)
-	-	-	n.a.
-	-	-	n.a.
\$ -	\$ -	\$ -	n.a.

YTD			
YTD Budget	YTD Actual	YTD Variance (\$)	YTD Variance (%)
14.774	14.774	0.000	0.0%
142.713	142.713	-	0.0%
\$ 157.487	\$ 157.487	\$ 0.000	0.0%

Note 1: Preliminary / unaudited financial information - subject to material change.

Note 2: On September 11, 2023, PREPA submitted a request of reapportionment of VTP and ERS funds from Second Revised Fiscal Year 2023 Budget certified by the Oversight Board on June 23, 2023 to increase budget funding available for FY2024. On October 3, 2023, the Oversight Board approved \$29.4 million of VTP and \$142.7M of ERS funds to be available in FY2024.

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2024
4/15/24

Variance # 1**FOMB Category: HoldCo Retiree Medical Benefits HoldCo****Account: Retiree Medical Benefits HoldCo**

Expenses	Budget Feb	Actual Feb	Variance(\$)	Variance (%)
Retiree Medical Benefits HoldCo	\$ 0.663	\$ 1.102	\$ (0.439)	-66.27%

Variance Explanation

PREPA included expenses related to January and February 2024 in one month. PREPA is working to identify the expenses are attributed to January and which are attributed to February.

Root Cause

PREPA included expenses related to January and February 2024 in one month.

Corrective Action

PREPA is working to identify which expenses belong to January vs. February. Once identified, PREPA will prepare the corresponding adjusting journal entry.

Variance # 2**FOMB Category: HoldCo Shared Services Agreement HoldCo****Account: Shared Services Agreement HoldCo**

Expenses	Budget Feb	Actual Feb	Variance(\$)	Variance (%)
Shared Services Agreement HoldCo	\$ 0.166	\$ 0.556	\$ (0.390)	-234.58%

Variance Explanation

Shared Services were budgeted under the original Shared Services Agreement. As of January 2024, Shared Services transitioned to the extension agreement which is in place until September 2024. PREPA is coordinating with the LUMA accounting team to determine if the February shared services amounts need to be revised.

Root Cause

Shared Services Extension Agreement effective as of January 1, 2024.

Corrective Action

PREPA expects that Shared Services will continue to show a variance in the upcoming B2A reports and will continue to monitor accounts closely to resolve any issues.

Puerto Rico Electric Power Authority
Variance Detail
FISCAL YEAR 2024
4/15/24

Variance # 3**FOMB Category: HydroCo Shared Services Agreement HydroCo****Account: Shared Services Agreement HydroCo**

Expenses	Budget Feb	Actual Feb	Variance(\$)	Variance (%)
Shared Services Agreement HydroCo	\$ 0.098	\$ 0.370	\$ (0.272)	-276.42%

Variance Explanation

Shared Services were budgeted under the original Shared Services Agreement. As of January 2024, Shared Services transitioned to the extension agreement which is in place until September 2024. PREPA is coordinating with the LUMA accounting team to determine if the February shared services amounts need to be revised.

Root Cause

Shared Services Extension Agreement effective as of January 1, 2024.

Corrective Action

PREPA expects that Shared Services will continue to show a variance in the upcoming B2A reports and will continue to monitor accounts closely to resolve any issues.

Puerto Rico Electric Power Authority
Pension and Benefits
FISCAL YEAR 2024
As Of: 4/15/24

	<u>July-23</u>	<u>August-23</u>	<u>September-23</u>	<u>October-23</u>	<u>November-23</u>	<u>December-23</u>	<u>January-24</u>	<u>February-24</u>	<u>March-24</u>	<u>April-24</u>	<u>May-24</u>	<u>June-24</u>
<u>HoldCo - Pension and Benefits</u>												
<i>Pension Benefits</i>	84,017	101,115	91,305	66,427	57,482	59,284	53,927	53,971				
<i>Loan Guaranties</i>	147	176	159	116	100	103	94	94				
<i>Work Comp Insurance</i>	9,143	11,004	9,936	7,229	6,255	6,452	5,869	5,873				
<i>Social Security</i>	15,075	18,146	16,385	11,921	10,315	10,639	9,678	9,685				
<i>Medicare</i>	3,529	4,250	3,838	2,792	2,416	2,492	2,267	2,268				
<i>Christmas Bonus</i>	3,323	4,003	3,615	2,630	2,276	2,347	2,135	2,137				
<i>Health Plan</i>	31,281	37,649	33,997	24,733	21,403	22,074	20,079	20,096				
Total	146,516	176,342	159,235	115,848	100,247	103,390	94,048	94,125	-	-	-	-
<u>HydroCo - Pension and Benefits</u>												
<i>Pension Benefits</i>	39,535	25,571	45,144	37,133	28,751	35,550	23,739	23,581				
<i>Loan Guaranties</i>	69	45	79	65	50	62	41	41				
<i>Work Comp Insurance</i>	4,302	2,783	4,913	4,041	3,129	3,869	2,583	2,566				
<i>Social Security</i>	7,095	4,589	8,101	6,664	5,160	6,380	4,260	4,232				
<i>Medicare</i>	1,662	1,075	1,897	1,561	1,208	1,494	998	991				
<i>Christmas Bonus</i>	1,565	1,012	1,787	1,470	1,138	1,407	940	934				
<i>Health Plan - Regular</i>	14,721	9,521	16,809	13,826	10,705	13,237	8,839	8,780				
Total	68,949	44,596	78,730	64,759	50,141	61,999	41,400	41,125	-	-	-	-

Note 1: Preliminary / unaudited financial information - subject to material change.

[illegible]